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The Impact of Globalization on Financial Institutions' Development

Abstract. The globalization process influences the coordination and interdependence of international financial institutions. The analysis of different publications defines globalization as the dominant trend of global development. Scientists examine contradictions and consequences of globalization with respect to global development as the process, its essence in terms of economic modernization, and different points of view on financial institutions development.

Jones and Liuch analyze two waves of globalization, explore the evolution and define key role of business groups and multinationals in Argentina and Chile (Jones, Liuch, 2015). Witt outlines the problems of the evolutionary approach, which means overcoming environmental constraints via adaptation to, modification of, man-made, social constraints. The author casts new light on consumption, production, institutions, macroeconomic dynamics, and economic policy making (Witt, 2015). Oatley and Winecoff offer a fresh take on research into the interaction between system structure, the self-interest of private firms, the political institutions within which governments make policy, and the ideas that influence beliefs about appropriate policy responses (Oatley, Winecoff, 2014). Western experts consider the feasibility of implementation of the “full restoration of confidence and stability policies” of financial institutions. They believe that the current phase of global economic relations development of the world financial market could become a catalyst for economic growth in the real economy under certain conditions.

The research hypothesis is to study the interdependence of globalization process and financial institutions development, and to explore the future trajectories of institutional modernization in developing countries. Scientists emphasize the quality of institutions, which provides increased confidence in financial institutions, and stimulates economic growth. The development of the domestic financial sector should be focused on the use of savings mechanisms for economic subjects. Strengthening of international

financial institutions will provide further financial resources accumulation, and free access to international financial resources.

The application of the principle of network interactions between economic agents within the firm, inter-organizational networks and transnational associations is a characteristic feature of functioning model of economic development. One can mention the influence of information and communication technology development in expanding and deepening global financial and production networks.

Qualitative changes analysis show the existence of speculative and insurance operations resulted in changes in the role of financial institutions in the service of the real economy. Study globalization peculiarities and financial sector aim at coordinating and harmonizing the activities of international financial institutions to overcome the consequences of the financial crisis and world tension reduction.

The basic tendencies defining the world development trajectories stimulate improvement of the quality of international financial institutions.

Keywords: globalization, financial institutions, financial resources

Introduction

The peculiarity of the present stage of modernization reflects changes of the nature of global economic interdependence, the evolution of global value chains, and effects for countries' competitiveness. The main differences of the current stage of development are the policy of the state intervention toward providing liquidity of central bank. The global threat of the natural, social and spiritual environment destruction, subjected to unprecedented pressure from modern civilization. The global challenges of global crisis appear in countries' contradictions.

The postwar global architecture was essentially guided by the major developed economies, and was centered around the International Monetary Fund (IMF), the General Agreement on Tariffs and Trade (GATT), and the World Bank. International monetary and financial organizations have more power and resources, and are designed to regulate international economic and financial relations, international cooperation and ensure the integrity and stability of the global economy.

The global financial crisis of 2007–2009 was preceded by a period of rapid economic development of the world economy at the beginning of the 21st century. The balance of economic and financial power is shifting toward the emerging economies. Average annual GDP growth increased to 4.2% in the period from 2000 to 2007. For comparison, in the previous 20 years they have averaged 3%.

Global growth, currently estimated at 3.1% in 2015, is projected at 3.4% in 2016 and 3.6% in 2017. The World Bank is revising its 2016 global growth forecast down to 2.4% from the 2.9% pace projected in January. The move is due to sluggish growth in advanced economies, stubbornly low commodity prices, weak global trade, and diminishing capital flows (The World Bank, 2016). Commodity-exporting emerging market and developing economies have struggled to adapt to lower prices for oil and other key commodities. Growth in these economies is projected to advance at a meager 0.4% pace this year, whereas growth in commodity importers has been more resilient. Projections are subject to substantial downside risks, including additional growth disappointments in advanced economies or key emerging markets and rising policy and geopolitical uncertainties.

The study of a regional architecture, particularly one in Asia, shows the effects that induce a supply of regional public goods can complement and strengthen the global public goods supplied through the global architecture. These public goods include institutions to help maintain financial stability, support more trading regimes and promote sustainable economic development (Kawai et al., 2014).

Western experts emphasize the feasibility of implementation of the “full restoration of confidence and stability policies.” They believe that the current phase of global financial market development could become a catalyst for economic growth in the real economy under certain conditions. One of the important factors is the quality of institutions, which means the quality of contract enforcement, property rights, and shareholder protection. It provides increased confidence in financial institutions, and stimulates economic growth. The functions of the basic country’s institutions include the protection and guarantee of property rights, strengthening of the legal system, corruption reduction, and corporate governance, transparency of financial regulation, supervision and control of the banking system.

The financial institutions activities are governed by the Law of Ukraine “On Financial Services and State Regulation of Financial Services Markets”, which establishes the general legal framework in the field of financial services, the implementation of regulatory and supervisory functions. The development of the domestic financial sector should be focused on the use of savings mechanisms for accumulation financial resources by economic agents. Stable and transparent system of international financial institutions provides free access to international financial resources, restores confidence, and decreases transaction

costs. The study of the different approaches strengthens the necessity of the deep investigation of the interdependence of globalization process and financial institutions development. The quality of financial institutions, the variety of financial instruments and free access to their services application for business and common citizens define the quality of national economy, its competitiveness.

1. Literature Review

Panarin (2002) points out the need to address global issues relating to the maintenance of stable functioning of the world civilization. Author emphasizes:

We are thinking of Western civilization, who consider themselves the only normal socio-cultural system, forming a right or appropriate people. But in the modern world is multiplying the number of apparent anomalies - the facts, is clearly not fit into the Western system of social and cultural standards and expectations. The most ambitious of these anomalies are global challenges (Panarin, 2002).

Accelerated globalization accompanied by qualitative changes in the forms of the international division of labor at the end of the 20th century, which manifested itself in the creation of value chain in the process of creating a product. The economic literature is regarded as upgrading organically inherent in the development of the country and leads to fundamental changes in all spheres of activity. Catch-up modernization means the borrowing of foreign technology, management norms, professionals trained abroad in the leading companies. The modernization is to improve the process of renovation of the object in a technological breakthrough of the country. This process involves the inclusion of emerging economies into the global economy by using its competitive advantages.

Inozemtsev defines modernization as mobilization process that is undertaken in various countries in order to reduce the resulting gap with rival states (Inozemtsev, 2010). The main forms of modernization are the internal modernization of the country, which provides self-development of the state; catch-up modernization, characterized by the use of policies to achieve the level of development of countries around the same technological and social level; evolutionary

modernization as a continuous process that takes place by means of reform and innovation.

Using the model of catch-up was typical for postindustrial countries that modernize their economies. The experience of modernization within the industrial system of management in Germany, the UK, the US and Japan shows that when competitor and country are acting in the same direction of industrial theory, industrial modernization can help to catch up and overtake the leaders.

Bragin (2012) stresses that globalization greatly enhances the modernization at the national level. According to the author's approach, the problem lies in the fact that in most countries of the South external borrowings ranging from technology and ending with the modern know-how to fall into such a business environment, which can only partially be adapted to local socio-economic conditions. Only with broad adaptation of these loans they can become impulses renovation of production, and not result in loss of time and money (Bragin, 2012). Onishchenko indicates specification of the national goal of modernization, reflected in the implementation of the transition to an industrial economy, effectively functioning in the framework of the global economy, and in turn ensure the transition to a new quality – innovation and post-industrial economy (Onishchenko, 2011).

Jones and Liuch analyze two waves of globalization, explore the evolution, and define key role of business groups and multinationals in Argentina and Chile (Jones, Liuch, 2015). Witt outlines the problems of the evolutionary approach, which means overcoming environmental constraints via adaptation to, modification of, man-made, social constraints. The author casts new light on consumption, production, institutions, macroeconomic dynamics, and economic policy making (Witt, 2015). Oatley and Winecoff offer a fresh take on research into the interaction between system structure, the self-interest of private firms, the political institutions within which governments make policy, and the ideas that influence beliefs about appropriate policy responses (Oatley, Winecoff, 2014). Western experts consider the feasibility of implementation of the “full restoration of confidence and stability policies” of financial institutions. They believe that the current phase of global economic relations development of the world financial market could become a catalyst for economic growth in the real economy under certain conditions.

2. The institutional approach application for financial economy

The use of the institutional theory provides the decision of three primary goals. They include: the explanation of origin of new institutions, and their operation in new conditions; finding out the nature of the institutional order; the estimation of a role of institutional changes. The institutional approach actuates a lot of the concepts. The New Institutional Economics, Neoinstitutional Economics and Evolutionary Economics are considered the basic theories. Under the concept “institute” there are rules, regulations, customs, traditions, the functioning of which provides the optimal organization, coordination behavior of economic agents. Institutions act as limiters of behavior of economic agents, forms of economic cooperation by organizing and simplifying them. Reducing of transaction costs is the most important function of institutions.

The institutions represent the set of the formal and informal rules of behavior determining a way of relationships between the economic agents, and also organizations. In most cases institutions are considered as internal limits of economic agent's behavior, they operate within the framework of an economic system. The Institutional Economics studies of personal selection mechanism of the economic agents, methods, by means of which the different sets of institutional restrictions could be used. The transformation of institutional system is accompanied by changes in the institutional environment, models of economic agents' behavior. The fastening of a new set of rules is based on asymmetrical distributive properties results in shifts in intercommunication force of all parties, participating in contract process. The people's behavior influences the change of relations of the economic agents, and causes the redistribution of an authority power. In case of obtaining advantages by separate groups of people there appears possibility of gaining additional benefits by the representatives of oligarchs.

In accordance with the Neoclassical Economics the institutional order is considered as initially given. The operation of the society does not contact to any theoretical process of designing at a level of intellection. Such approach does not consider economic processes in dialectics. The existence of transaction costs is determined in the neoclassical approach. They actuate these costs in general production costs.

The Neoinstitutional Economics explains origination of institutes by economic forces keeping references of an operating economic system. Perceived

there is the behavior of the economic agents, organizations on a standard sample, and ways of their economic coordination under the institutional order. The institutional change actuates the replacement of the old institutional order on the new order. The systems of coordination of economic behavior of the subjects are subdivided depending on forms of organization to hierarchic and disordered. The economic development is accompanied with the institutional change of the forms of behavior of the economic agents.

Under institutes we will consider a set of the rules, with the help of which conforms definitely established relationships in the company. The knowledge of these rules and their fulfillment are necessary and should be executed by all members of the company (Knight, 1992).

Banking system shall be represented as a set of macro-level institutions, including formal, enshrined in law, and informal defined in the rules, norms of behavior aimed to ensure an orderly interaction of economic entities in the market of borrowed resources.

Scientists emphasize the quality of institutions, which provides increased confidence in financial institutions, and stimulates economic growth. The development of the domestic financial sector should be focused on the use of savings mechanisms for economic agents. Strengthening of international financial institutions will provide further financial resources accumulation, and free access to international financial resources.

The market acts by the economic regulator ensuring effective operation of a market system. The functioning system provides selection institutions. The priority is related to those institutions, in which everyone provides rational behavior of the economic agents, and results in minimization of transactional costs. The policy development of the company is determined on the basic and intermediate purposes, and solution of necessary problems. The substitution of the old framework on the new and foundation of the optimum structure provide the transformation. The change of industrial, market forms of organization is influenced by the orientation of activity of the companies to an external market, development and strengthening of the forms of market organization, and holding the competition rules.

The foreign capital inflow was promoted by realization of institutional transformation: the creation of legal, market and financial institutions, the development of means and communication channels, the maintenance of a continuous

transmission of information, formation of the institutional mechanism. The market reforms application actuated creation of a democratic system, including definition of property rights and financial sector development. The predominance of the nomenclature's representatives at all levels of companies; preservation in their hands of the control above the majority of mass media, the weakness of trade unions are distinguished the political conditions of realization of reforms in Poland in comparison to Ukraine. On a pioneering stage of realization of reforms in transitional countries there is a need of creation of institutions determining the rules of behavior executing function of the mechanism of the control of economic behavior of the economic agents. The statement of new institutions is directed on maintenance of operation of a domestic market, its infrastructure and services. The general institutional concept is based on the development of a transparent financial system. To realization of privatization and industry re-structuring ensure creating incentives and expanded investment capabilities.

The development of a democratic system, transparency and compulsion of fulfillment of the basic norms and rules, will be realized through activity of democratic political institutions. Their effective work is directed on the maintenance of political stability in company. The given tendency has a place as a whole in a pattern.

The financial institutions in Ukraine can be described in accordance with the use of the institutional approach. The small share of production of the competitive products, weakness of financial sector, non-observance of the contract obligations are relating to determining factors of modern institutional system. The lowering of investment attractiveness in Ukraine is influenced with the absence of historical traditions in financial contracts and transactions, in which everyone determines rules and standards of behavior of the economic agents. The effective economic order means concurrence of personal and public outcomes of economic activity. The legal guarantees of economic agents are provided by the effective operation of an integrated institutional system in the society. The question of formation of the institutional system in Ukraine is complicated with the absence of institutes ensuring stable operation of legal system, backwardness of a market mechanism, lack of historical traditions determining rules and standards of behavior of the economic agents. The experience of transformation in Poland indicates the relevant role, which financial institutions development played towards the stable financial system establishment. The legal, financial, economic, and political institutions foundation, communication

channels improvement, information transfer, and also institutions provide the base for the whole institutional system formation.

The actual facts display that institutional setting often has place in the form of inefficient institutions, sometimes with absence of confidence to them. The backwardness of the markets is also affected by the absence or under development of a financial infrastructure. The lack of conforming traditions, experience and skills of market relations hinder the effective institutional operations. The western type of institutions often does not operate effectively. Inconsistency of a system of property rights, uncertainty and high transaction costs are typical features of such institutional system. At the level of the state there is lack of controlling instruments for resources, goods and services. The statutory acts and the laws of such company default of controlled functions of businessmen's behavior. The frequent changes of governments conduct to loss of confidence, stability at decision making process by the foreign investors. The process of institutionalization in Ukraine slowed down, resulting in a non-functioning state institutions and discrepancy to business requirements of market development. In Ukraine experts mention a lack of public confidence in society towards major state institutions. According to sociological research, the level of distrust of the President, the government and the Supreme Council fell to the revolution of dignity. The results of the sociological monitoring indicate a decline in public confidence for the Supreme Council and government institutions. In May 2013 the number of citizens disappointed in the people's representatives, increased by 39%. But historic low rate of distrust of the Ukrainian parliament reached after the revolution of dignity was minus 63% in July 2015 (Worse than Azarov, 2015).

The system of property rights determines the use of limited resources, ways of income obtaining in miscellaneous economic systems. The institutions differ on definition of property rights and their use. Alchian argues:

A property right is the exclusive authority to determine how a resource is used, whether that resource is owned by government or by individuals. Society approves the uses selected by the holder of the property right with governmental administered force and with social ostracism (Alchian, 1965).

At exact definition of property rights create incentives for the workers and vice versa, their absence negatively influences institutional formation. Determining the motivation of economic activity, North wrote: "Countries of the third world are poor owing to availability of existing institutional limitations in the

form of payments for political, economic activity, and are not stimulating productive activity” (North, 1990).

In economic literature there are different approaches toward definition of directions of economic reforming from one economic system to another. Institutional transformation is a major and integral component of successful reforming of economy. S. Fadda uses economic parameters for an estimation of failure of institutional reforms. They include the low level of productivity, failure of a development of industry and market relations, absence of close economic ties between firms, financial weakness, and technological and organizational backwardness (Fadda, 1992). The degree of institutional development can be determined on the above mentioned parameters. Lowering of a performance level, not efficient financial institutions and undeveloped infrastructure, as outcome in development and application of the old technologies are determined factors, representative of modern institutional system. The lowering of investment attractiveness in Ukraine is influenced with the absence of historical traditions in operation of market relations, which determine rules and standards of economic agents’ behavior.

Financial intermediary institutions include commercial banks, credit unions, venture capital, investment funds, insurance companies, leasing organization, etc. The rules governing the various aspects of the commercial banks, business rules (transactions), institutions of state control (National Bank of Ukraine), and tariff policy. The basic functions of the following institutions are to provide credit investing, financial, credit, material, and technical resources.

Creation and the development of modern institutions influence the processes of economic growth. The factors of economic growth include the development of new technologies, realization of R & D, and know-how application. The important role is devoted to the investments in the human capital, which are considered one of the factors ensuring economic growth. The existence of a gap at a training level of the experts in the field of engineering sciences and absence of a sufficient level of economic knowledge hinder an entrance of new specialists into the market. The investments in a social sphere should ensure the basis for creation of normal conditions of operation of the human capital and reduction of outflow of brains abroad.

In Ukraine the existing system of property rights does not provide economic incentives for an effective work. The activity of the state on obtaining the receiving rent from the use of economic resources constrains a competition.

As a corollary, the separate economic agents will use the official position for obtaining the profit that is accompanied by loss of a considerable proportion of a national wealth. At the level of the state there is no the coordination mechanism ensuring effective operation of financial system. The state does not provide the control functions of the businessmen's behavior. The confidence relations with foreign investors can be built only on the basis of political and economic stability in the company. The development of financial relations promotes minimization of transaction costs; the recovery and expansion of economic relations are directed on creation of the strong bases for economic growth.

According to the report of analytical center Heritage Foundation/Wall Street Journal, which determines the index of economic freedom, Ukraine takes 162nd place among 178 countries in the 2016 index. For the seventh year in a row, Ukraine has registered Europe's lowest levels of economic freedom. The respect for the rule of law has not been established, and the lack of investment freedom has hurt productivity. Evaluation of economic freedom score for Ukraine is 46.8 (down 0.1 point) in 2016. This score reflects the decrease in the following four indices: fiscal freedom (score – 78.6), business freedom (score – 56.8), labor freedom (score – 47.9), and monetary freedom (score – 66.9) (Index of Economic Freedom, 2016).

Ukraine's top individual income tax rate is 20%, and the top corporate tax rate is 18%. Other taxes include a value-added tax and a property tax. The overall tax burden equals 37.6% of the total domestic income. Government spending amounts to 48.1% of GDP. The budget deficit has averaged about 5% of GDP over the past three years. Public debt exceeds 70% of GDP. Political instability continues to compound regulatory uncertainty in commercial transactions. The International Monetary Finance reports that 740 state-owned enterprises registered losses amounting to about 1% of GDP in 2014 and that, as a group, SOEs have accumulated substantial liabilities amounting to more than 12% of GDP.

Changes in the institutional environment directly aim at the change of the entire system of economic relations, through which the state provides an active influence on innovation. Encouraging corporations to use innovation, increased productivity, efficiency, targeting government to implement economic policies aimed at economic growth in close connection with the steady rise of living standards.

Business 2016 is a series of annual reports measuring the regulations that enhance business activity and those that constrain. Ukraine became the first

hundred ease of doing business ranking of Doing Business – 2015, rising to 16 positions and took 96 places. However, the drafters of the rating noted some improvements in the business climate in Ukraine. Among them, for example, emit simplify the tax for businesses through the introduction of electronic system for filing and paying the single social tax. Data in Table 1 demonstrate significant change which helped Ukraine make starting a business easier by reducing the time required for VAT registration and by elimination business registration fees (see Table 1).

Table 1. Doing Business Rating in Ukraine in 2015–2016

No.	Item	DB 2016 Rating	DB 2015 Rating	Rating change
1	Starting a business	30	70	40
2	Dealing with construction permits	140	139	–1
3	Getting electricity	137	138	1
4	Registering property	61	64	3
5	Getting credits	19	17	–2
6	Protecting minority investors	88	87	–1
7	Paying taxes	107	106	–1
8	Trading across borders	109	109	No change
9	Enforcing contracts	98	98	No change
10	Resolving insolvency	141	141	No change

Source: Doing Business (2016).

The research of the institutional concept plays the key role in financial re-forming. The entrance of the transnational companies (TNC) and transnational banks (TNB) in to the market of Ukraine is directed to actuation of the national system to an international system of a division of labor, promotes new technologies application, effects modern forms of organization, stimulates development of competitive types of production, and uses new financial forms of transactions. The creation of liberal environment in Ukraine ensures free capital movement, promotes inflow of capital from abroad. The reduction of all kinds of financial risks provides laws, legal operations, contracts fulfillment. The maintenance of legal stability in the country is basic factor for financial institutions establishment. The analysis of diverse institutional approaches confirms the pluralistic application of a wide variety views for institutional and social factors which shape economic life and economic processes.

3. Financial Institutions Modernization

Modernization of institutions requires consistent creation and functioning of the institutional system, aimed at the definition of property rights in society, stimulates the development of competition and reduces transaction costs.

In western Europe it became a widespread approach of imported western-style modernization, which focuses on the construction of new institutional economic incentives that can change human behavior. The opposite view is held by the authors, relating the particular appearance of several models of development and modernization in traditional societies, such as India, China, etc. with processes taking place in Eastern European countries.

To understand the mechanism of global interdependence on the basis of financial parameters of contemporary development there is identified a number of trends that describe the trajectory of global imbalances and provides the base for financial crisis analysis. These include a significant increase in international financial integration, especially in advanced economies, a sharp widening of the global imbalances that have become a reality of today's economy, differences in profitability between external assets and liabilities, resulting in a significant movement of capital and other resources among countries.

Noted should be the trend of transformation of national banks in the TNBs, performing the function of an intermediary for its clients, and to place their capitals outside their home country, including the EU, the US etc. In accordance with the estimate based on market capitalization which is market value at a point in time of the shares outstanding of a publicly traded company, being equal to the share price at that point of time times the number of outstanding shares, has been taken the first place of the EU's banking elite. In the European Union accounted for 27 banks, including: the UK share – 6 banks, France – 3, Italy – 3, Spain – 3, Belgium – 3, Germany – 2, Ireland – 2, the Netherlands – 2, Sweden – 2, Denmark – 1 bank. EU banks have raised over 800 billion euro of capital over the past six years via earnings retention, rights issues and asset sales. Authorities successfully implemented Tarp-style solutions (Trouble Asset Relief Program), allowed the US Treasury to provide equity and purchase toxic assets from banks during the 2008 crisis. Capital ratios are improved, and lending growth in most of the EU gives no indication that banks are capital constrained (Bodereau, 2016).

During the first quarter of 2016, the cross-border claims of the Bank for International Settlements (BIS) reporting banks rose by 451 billion to 27.5 trillion dollars. This increase only partially offsets the large declines of previous quarters and consequently the annual growth rate remained negative, at -5% . Cross-border credit to emerging economies fell by 76 billion dollars, taking the annual pace of decline to -9% . China again experienced a large contraction in cross-border activity, with claims from international banks on mainland residents down by 63 billion dollars during the quarter (BIS, 2016).

A characteristic feature of the modern financial model is the application of the principle of network interactions between economic agents within the firm, inter-organizational networks, TNC, TNB, and transnational associations. Under the influence of the information and communication technology development is expanding and deepening global financial and production networks. The process of transferring advanced technology accompanied by retraining and professional staff skills in accordance with international requirements.

Annual survey of trust results secured consumer PR & Communications guide point to a significant reduction in confidence in such social institutions as the power and the media, whereas the credibility of the business and public organizations has stabilized at around 25% in 2015. Given the growing importance of information about companies and their products, obtained from the Internet, social networks play the role of the priority areas for communication (Stelzner, 2015).

It seems that the priority is the reduction of existing socio-economic gap with the industrialized countries, including the continuous improvement of people's welfare. To solve this problem it is necessary to ensure the implementation of a strategy to improve the competitiveness of the economy.

The main ways of investing in foreign countries are the commercial loans, official cash flows, foreign direct investment and portfolio investment. Foreign companies and the government institutions use lending to banks in order to obtain commercial loans. International financial institutions and governments of developed countries prove official support for developing countries. The result was the creation of global networks pooling financial and commodity markets, and the formation of a common space of the global financial market. Post-industrial countries were in the midst of the world's processes, while the rest of the state is only indirectly involved in it. The role of financial institutions in the service of the real economy changes because of qualitative changes in the financial

sector due to predominance of speculative motives. Increasing the number of transactions concluded by the transaction, the movement of significant funds in the financial markets have caused increased competition on the world market of banking services, have led to the deregulation of the financial sector.

Fluctuations and speculations on the exchange rate changes have become one of the most profitable market transactions in Ukraine. This resulted in the emergence of derivatives that function along with futures and options. As a result of their use of great opportunities to perform speculative operations to exchange rates changes, as well as expanding the use of the financial assets.

Globalization promotes the modernization process, but in order to obtain the effect it should be adjustable. Regulator globalization should serve the governments that are the recipients of financial flows and new technologies. Managing the global capital system aims at ensuring the relations coordination based on the information exchange. The volume and direction of signals from other systems should be directed on maintaining consistency in investment demand and supply signals. The purpose of the system is effective use of the global financial system advantages.

4. Financial Institutions Development in Ukraine: Problems and Options

Under the influence of turbulence and unpredictability factors of the international financial system, the collapse in commodity prices and the deterioration of the macroeconomic situation in Ukraine, the following trends have been noted: the decline of confidence in the banking system; the growth of debt to financial institutions; increase of the number of loan defaults; difficulties with paying for the previous loans, etc. Small share in total credit investment in national economy as long-term innovative lending restrict following factors: high level of interest rate on bank loans; high credit risk, changes in interest rate, liquidity; mostly current and short-term nature of bank liabilities; limits on refinancing in the National Bank of Ukraine.

The main problem, faced by the Ukrainian banks in 2014, is the outflow of deposits. Due to the outflow, banks began to undergo lack of liquidity, which aggravated apprehensiveness among depositors. During 2014, according to the

National Bank of Ukraine data, the drop in GDP was 7.5%, and the devaluation of the hryvnia has reached 100%, the consumer inflation rate rose to 25%. The banking system has lost a third of all financial assets, and foreign exchange reserves of the country decreased to 7.5 billion dollars. Industrial Production in Ukraine averaged -1.66% from 2000 until 2015, reaching an all-time high of 17.6% in April of 2010 and a record low of -33.8% in January of 2009. It is known that since the beginning of the year the banking system has lost about 110 billion hryvnia deposits. Because of this, a lot of banks have been forced to impose restrictions on payments and cash withdrawals, causing distrust of depositors in the system exalted. The situation was worsened by the fact that a number of banks, as a result of liquidity problems, were found to be insolvent.

The second problem arose due to the losses incurred in course of hostilities. The annexation of the Crimea and the military operations in Luhansk and Donetsk regions caused the panic among Ukrainians; hence the devaluation of the hryvnia reinforced, which was followed by the outflow of deposits. Essentially, the banks lost their assets in the Crimea and in Luhansk and Donetsk regions.

Bearing in mind the main problems of the banking system of Ukraine in 2014, we can consider the main reasons for people's distrust of it. Firstly, the distrust is caused by financial ignorance of the population. Many individuals, not having analyzed the problem, immediately begin to make hasty conclusions and panic, thus weakening the banking system. Secondly, due to the outflow of deposits from banks lack of liquidity began. Many banks were forced to impose restrictions on payments and cash withdrawals, which negatively affect depositors' confidence in the system as a whole.

In 2015, industrial production fell by 13.4% in Ukraine. The main industrial potential is concentrated in the eastern part of Ukraine. Banks are members of the innovation process, providing not only funding it, but also communication between all stakeholders: government, investment and innovation funds, scientific and technical institutions and consumers.

Due to the reduction in the ability of banks to create financial instruments after the financial crisis corrections transactions in the bond market were intensified. Instability of the financial system has increased. The growth of currency devaluation is accompanied by increased costs of the banking sector. The bank interest expenses rise forcing them to pursue a policy of prolonging and restructuring of loans, offering customers credit vacation, and in a number of banks the introduction of the temporary administration and the beginning of

the liquidation process has been noted. This forces financial institutions to reserve more funds. Capital adequacy ratio (H2) in the entire banking system has reached 15.87% at the end of 2014, although at the beginning it was equal to 18.26%. Lowering of the regulatory capital adequacy index may violate norms of compulsory redundancy and reduce the reliability of the banking system in the fulfillment of obligations to clients. In particular, there was a decline of banks stock in the norm of “large loans”, which was caused by the concentration of the loan portfolio in the financial institutions that service specific business – groups. The maximum size of credit issued to one person, was 22.92%, while the standard in 2014 was not more than 25%.

Dynamics of loans and deposits in Ukraine for 2012–2016 increased moderately (Figure 1). One can mention the tendency concerning the lower volume of loans by deposits which depicts on appearance temporarily free financial resources sufficient to ensure that fully meet the needs of the economy. According to experts' views, “private banks will also reduce deposit rates, especially in light of a reduction in inflation risks and calls of the National Bank of Ukraine to intensify lending.”

However, the biggest gap between the volumes of deposits and loans is in the study period at the end of 2015 – 27.1%.

Figure 1. Dynamics of loans and deposits of individuals in the money market Ukraine (bln. hrn.)

Source: The National Bank of Ukraine data (2016).

In the analyzed period, deposits of individuals exceed deposits of economic entities and form quite a significant positive trend (Figure 2).

Figure 2. The dynamics of deposits of economic entities and individuals (bln. hrn.)

Source: The National Bank of Ukraine data, 2016.

The largest gap between the volume of retail deposits and deposits of economic entities are witnessing at the end of 2013 (45.8%). Thus, the financial market has gradually formed positive trends in terms of redistribution of temporarily free financial funds, temporarily free financial resources in the economy are supplied by individuals, i.e. households. In Ukraine, the commercial banks may act as issuers of treasury shares, bonds, notes, certificates of deposit and other securities, as investors buying securities for its own account and also have the right to conduct brokerage operations with securities.

In order to restore the people's trust in the banking system, Ukrainian finance specialists should forecast potential problems and understand their severity, timely react to them, and find right solutions. Moreover, Ukrainians themselves must make significant efforts to improve the situation in their country, try to achieve mutual understanding, and provide confidence and stability of financial institutions.

Conclusion

Investigation of globalization effects on economic development shows the existence of contradictory tendencies, promoting growth or leading to economic regress. As a result of capital formation and financial markets improvement, one can mention significant changes in the financial sector, followed by the movement

of large amounts of financial resources flows. Capital mobility determines the production efficiency and scientific, technical cooperation, and stimulates the development of factors of production. Activating the role of the state as a regulator of the modernization process: restructuring, capital flows in modern high-tech industries, financial capital attraction in the form of portfolio investment in financial sector may create conditions for the country's economic breakthrough to the new development trajectory.

Qualitative changes analysis show the existence of speculative and insurance operations resulted in changes in the role of financial institutions in the service of the real economy. Study of globalization and financial sector peculiarities aims at coordinating and harmonizing the activities of international financial institutions to provide global financial stability, and reduce world tension. The basic tendencies defining the world development trajectories stimulate improvement of the quality of international financial institutions.

In order to provide the fulfillment of the above mentioned tasks we consider that the developing countries should be oriented on formation formal and informal rules, stimulation of the development of new financial order and behavior in their countries, carrying out investments in human capital, and encouraging imports of absent western types of financial institutions.

Further study of the features of the modernization and the role of the financial institutions will be focused on the coordination and harmonization of the action of international financial institutions to reduce uncertainties and turbulence in the financial market. The problem of Eastern European countries is to use the model of financial institutions modernization, taking into account national specificities of these countries.

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Wpływ globalizacji na rozwój instytucji finansowych

Streszczenie. Proces globalizacji wpływa na koordynację i współzależność międzynarodowych instytucji finansowych. Analiza różnych publikacji definiuje globalizację jako dominujący trend rozwoju globalnego. Naukowcy badają sprzeczności i konsekwencje globalizacji w odniesieniu do globalnego rozwoju jako procesu, jego esencji pod względem modernizacji gospodarki, a także różnych punktów widzenia na rozwój instytucji finansowych.

Jones i Liuch analizują dwie fale globalizacji, badają ewolucję i definiują kluczową rolę grup biznesowych i międzynarodowych w Argentynie i Chile (Jones, Liuch, 2015). Witt nakreślił problemy podejścia ewolucyjnego, co oznacza przezwyciężenie ograniczeń środowiskowych poprzez dostosowanie się do zmodyfikowanych, wytworzonych przez człowieka, ograniczeń społecznych. Autor rzuca nowe światło na temat konsumpcji, produkcji, instytucji, dynamiki makroekonomicznej i polityki gospodarczej (Witt, 2015). Oatley i Winecoff prezentują nowe badania nad interakcją między strukturą systemu, interesem prywatnych firm, instytucjami politycznymi, w których rządy podejmują politykę, a także idee, które wpływają na przekonania o odpowiedniej polityce (Oatley, Winecoff, 2014). Zachodni eksperci zastanawiają się nad wykonalnością „pełnego przywrócenia polityki zaufania i stabilności” instytucji finansowych. Uważają, że obecna faza globalnego rozwoju stosunków gospodarczych na światowym rynku finansowym może stać się katalizatorem wzrostu gospodarczego w realnej gospodarce pod pewnymi warunkami.

Hipoteza badawcza ma za zadanie zbadać współzależność procesu globalizacji i rozwoju instytucji finansowych oraz przeanalizować przyszłe trajektorie modernizacji instytucjonalnej w krajach rozwijających się. Naukowcy podkreślają jakość instytucji, zwiększającą zaufanie do instytucji finansowych i stymulującą wzrost gospodarczy. Rozwój krajowego sektora finansowego powinien koncentrować się na wykorzystaniu mechanizmów oszczędnościowych dla podmiotów gospodarczych. Wzmocnienie międzynarodowych instytucji finansowych zapewni dalsze gromadzenie zasobów finansowych i swobodny dostęp do międzynarodowych zasobów finansowych.

Charakterystyczną cechą funkcjonującego modelu rozwoju gospodarczego jest zastosowanie zasady wzajemnych oddziaływań sieciowych pomiędzy podmiotami gospodarczymi w przedsiębiorstwie, sieciami międzysystemowymi i stowarzyszeniami ponadnarodowymi. Można wspomnieć o wpływie rozwoju technologii informacyjnych i komunikacyjnych na poszerzanie i pogłębianie globalnych sieci finansowych i produkcyjnych.

Analiza zmian jakościowych wskazuje na istnienie działań spekulacyjnych i ubezpieczeniowych, powodując zmiany w roli instytucji finansowych w obsłudze gospodarki realnej. Badanie specyfiki globalizacji i sektora finansowego mają na celu koordynację i harmonizację działań międzynarodowych instytucji finansowych w celu przezwyciężenia skutków kryzysu finansowego i ograniczenia napięcia na świecie.

Podstawowe tendencje definiujące światowe trajektorie rozwoju stymulują poprawę jakości międzynarodowych instytucji finansowych.

Słowa kluczowe: globalizacja, instytucje finansowe, zasoby finansowe